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NEWS

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STATEMENT OF HONORABLE HERBERT H. BATEMAN

CHAIRMAN, SUBCOMMITTEE ON MILITARY READINESS

“REFORM INITIATIVES, OUTSOURCING, AND PRIVATIZATION”

March 12, 1997

Good afternoon. Today the subcommittee on Military Readiness is meeting to obtain a better understanding of the Department of Defense's efforts to manage and reduce its infrastructure. The subcommittee is particularly interested in how DoD is integrating privatization and outsourcing into these efforts. The leadership of the House of Representatives have charged all committees to actively review and pursue opportunities to improve agency efficiency and increase the use of private sector services.

Although DoD has successfully downsized 8 Army divisions, 14 Air Force and Navy wings, 216 battle forces ships, and over 600,000 military personnel, its efforts to reduce the infrastructure supporting these forces pale in comparison. We recognize that DoD's excess infrastructure and related management problems did not happen overnight, and they can not be solved overnight. As a result, the Readiness subcommittee has taken the lead in attempting to finding solutions to these problems.

Over the last couple of years, Congress and this subcommittee have recommended several changes to help DoD adjust to the downsizing and budget constricted environment. These efforts include: contracting-out overseas transportation of exchange and commissary goods, printing and duplication services, and direct vendor delivery for several consumable inventory items. In addition, we have limited DOD's efforts to simply automate outmoded business practices which leads to perpetuating inefficiencies and mistakes.

Many of us here today remember prior programs that DOD used in an attempt to create savings in the defense budget. Most notably was the Defense Management Review Directives or DMRDs. The DMRDs provided for sizable savings in the out years, and DOD took these savings out of their future defense budgets. At the time, we consistently asked the question “What will happen if you do not achieve your projected savings?” We were continually reassured that the savings “would happen”. It should come as not surprise to anyone that many of these savings did not materialize.

The DOD is now, once again, telling us that the savings they have taken out of future budgets will materialize through the use of outsourcing and privatization. I would really like to believe them this time, but it will take some convincing. Given that nearly everything that will be considered in this area could be crucial to and directly impact force readiness, I am concerned with the lack of consistent methods for developing savings. We can no longer afford to bank troop readiness on “guess’timates”.

Privatization and outsourcing are not bad as long as there is a detailed review of the benefits to such actions, in terms of real cost savings, and assurances that we do no harm the Service’s readiness capabilities. It is time to embrace new initiatives that increase program efficiencies, support increased agency competition with the private sector, and explore methods of integrating the best practices of the corporate world into DoD programs.

It cannot be expressed enough, that in this austere budget environment we need to make each defense dollar count. We owe it to the American taxpayer and our soldiers, sailors, airmen, and marines to ensure that there is sound stewardship over the resources that are entrusted to the Department of Defense. In doing so, we are committed to redirecting funding from outmoded practices and unnecessary programs to support our troop and overall readiness.

Today, for our first panel we have

Mr. David Warren
Director of Defense Management Issues

who will represent the General Accounting Office.

For our second panel we have

Mr. John Goodman
Deputy Undersecretary of Defense
(Industrial Affairs and Installations)
Department of Defense

Rear Admiral John Scudi
Director of Shore Installation Management
Department of Navy

Major General Joseph Stewart
Deputy Chief of Staff for Installations Management
U.S. Marine Corps

Major General Randolph House
Assistant Chief of Staff for Installations Management Department of the Army, and

Brigadier General Hugh Cameron
Commander of the Air Force Center for Quality and
Management Innovations
Department of the Air Force

who will be representing the DOD and the military services.

On our last panel we have:

Mr. Bobby Harnage, Sr.
National Security Treasurer
American Federation of Government Employees AFL-CIO

Mr. Gary Engebretson
President
Contract Services Association of America

Mr. Stanley Kawaguchi
President
American Consulting Engineers Council

Mr. Thomas Hewitt
President and CEO
Federal Sources, Incorporated

Mr. Roy Cloudsdale
Vice President
Global Business Delivery Systems
Integrated Facility Management
Johnson Controls, Incorporated

who will give us the private sector's perspective on privatization, outsourcing, and opportunities or impediments for such activities in the public sector.

Before we get into hearing from our panels, I would like to yield to the Honorable Norman Sisisky, the ranking Democrat on the Readiness subcommittee for any statement he would like to make.

I would also note that the subcommittee has also received a statement from Congressman Duncan on these issues, and without objection, Congressman Duncan's statement will be entered into the record.